

4 August 1965

MEMORANDUM

SUBJECT: CIA-Soviet Controversy on Rates of
Economic Growth

1. On 9 January 1964 CIA released to the press a statement on Soviet economic problems, which pointed out that the rate of economic growth of the USSR had declined sharply in recent years. The key points in CIA's statement are summarized at annex.

2. Soviet propaganda media responded to this with a flow of invective and sarcasm which lasted for several months. CIA's analysis was characterized as a "bourgeois fraud," as a "fabrication," a "far-fetched calculation," "the laughing stock of the world" and a "falsification" that "has burst with a stench." In their haste to destroy the idea that Soviet growth had slowed, the Moscow propagandists released a number of new statistics, some contradictory and some even tending to support CIA's argument.

3. It is now clear that at least some responsible Soviet economists were not sympathetic to these efforts of the propaganda machine. The British journal New Statesman recently published a report of a speech made by A. G. Aganbegyan, a research mathematical economist and member of the Soviet Academy of Sciences, in Moscow last month. In addition to admitting that Soviet growth rates had indeed fallen, Aganbegyan is quoted as describing the CIA analysis as completely correct and the Soviet rebuttals as "stupid."

ANNEX--Summary of CIA Statement

1. Soviet economic growth had slowed sharply to an annual average of 2.5 percent in 1962-63, compared with better than six percent in the decade of the 1950's. The sharpness of the decline was due largely to agricultural failures, assisted by a continuous reduction in rate of industrial growth after 1959.

2. The slowdown in Soviet economic growth was due to general overcommitment of resources. Specifically, with a GNP less than half that of the United States, the USSR was attempting to match US outlays for national defense, space, and industrial investment. Further, the Soviets had eroded their gold holdings through overambitious purchases from the West of industrial plants and equipment.

3. While some recovery in growth rates was likely as agricultural performance improved, for a variety of reasons, recovery to the growth rates of the 1950's was unlikely.